

Message Text

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ACTION AGRE-00

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 7523

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS BRASILIA 3905

DEPT PASS USDA/FAS

E.O. 11652: N/A

TAGS: EAGR, BR

SUBJECT: DROUGHT DAMAGE TO MAJOR CROPS

1. SUMMARY. THE CURRENT DROUGHT IS THE WORST ON RECORD IN THE AGRICULTURALLY RICH CENTRAL REGION OF BRAZIL. ACCORDING TO THE MINISTRY OF AGRICULTURE, BRAZIL WILL LOSE ABOUT 1.5 BILLION DOLLARS IN AGRICULTURAL EXPORTS AS A RESULT OF THE DROUGHT. ALSO, AN ADDITIONAL 300 MILLION DOLLARS IN AGRICULTURAL IMPORTS WILL BE NEEDED TO COVER DROUGHT LOSSES. SCATTERED RAINFALL MAY 15-16 HAS COME TOO LATE FOR MOST CROPS, BUT WILL BE BENEFICIAL FOR WHEAT SOWING AND PASTURES. END SUMMARY.

2. MINISTRY OF AGRICULTURE SECRETARY OF PRODUCTION ANDRES TRONCOSO VILLAS SENT REPORT TO PRESIDENT GEISEL MAY 12 REGARDING THE SEVERE DROUGHT LOSSES IN THE CENTRAL SOUTH REGION OF BRAZIL. ACCORDING TO THE VILLAS REPORT, PERCENTAGE LOSSES FROM THE ORIGINAL 1977/78 CROP ESTIMATES ARE AS FOLLOWS: SOYBEANS 24.3, CORN 19.9, RICE 16.2, COFFEE 14.2 AND COTTON 17.6. THE FOLLOWING CURRENT CROP ESTIMATES UNCLASSIFIED

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ARE CONTAINED IN THE REPORT: SOYBEANS 10.2 MILLION TONS, CORN 14.7 MILLION TONS, RICE 7.6 MILLION TONS, COTTON 495,000 TONS, COFFEE 17.8 MILLION 60 KG. BAGS.

3. SEVERAL GOB AGENCIES AND STATE SECRETARIATS OF AGRICULTURE HAVE MADE WIDE RANGING ESTIMATES OF THE SOYBEAN CROP. FOR EXAMPLE, THE CURRENT CACEX ESTIMATE (EXPORT DEPARTMENT

OF THE BANK OF BRAZIL) IS 8.5 MILLION TONS, 1.7 MILLION TONS LOWER THAN THE MINISTRY OF AGRICULTURE ESTIMATE RELEASED MAY 12. FARM COOPERATIVE LEADERS IN THE MAIN SOYBEAN PRODUCING AREAS NOW ESTIMATING THE CROP AT 8.0-8.5 MILLION TONS.

4. BASED ON RECENT AGATT STAFF FIELD TRIP OBSERVATIONS AND CONTINUING ANALYSIS OF GOB AND TRADE REPORTS AGATT NOW ESTIMATES THE 1977/78 SOYBEAN CROP AT 9.5 MILLION TONS. IT IS NOT LIKELY THAT THE CONFUSED SOYBEAN PRODUCTION SITUATION WILL BE CLARIFIED FOR SEVERAL MONTHS, AND ACTUAL CRUSHINGS AND EXPORTS IN THE END WILL TELL THE STORY.

5. WHILE THE EXACT MAGNITUDE OF THE CROP LOSSES IS NOT KNOWN, IT IS CLEAR THIS DROUGHT IS THE WORST ON RECORD IN THE AGRICULTURALLY RICH CENTRAL SOUTH REGION OF BRAZIL. THE EFFECTS ON THE COUNTRY'S AGRICULTURAL EXPORTS AND IMPORTS, DOMESTIC FOOD PRICES AND AGRICULTURE RELATED INDUSTRIES WILL BE MANY AND FAR REACHING.

6. BRAZIL'S CY 1978 SOYBEAN EXPORTS ARE EXPECTED TO TOTAL ONLY ABOUT 600,000 TONS, DOWN FROM 2,6 MILLION TONS IN 1977. EXPORTS OF SOYBEAN MEAL WILL DECLINE SOME 500,000 TONS FROM THE 1977 LEVEL AND SOYBEAN OIL SHIPMENTS WILL LIKELY FALL 15-200,000 TONS. WHEAT IMPORTS IN CY 1978 ARE EXPECTED TO REACH A RECORD 4.0-4.5 MILLION TONS, AND CURRENT WHEAT CROP CPONDITIONS POINT TOWARD A SIMILAR LEVEL OF IMPORTS IN CY 1979. SOME ONE MILLION OF CORN WILL HAVE TO BE UNCLASSIFIED

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IMPORTED IN THE NEXT 10 MONTHS TO PREVENT SEVERE SHORTAGES OF FEED FOR POULTRY AND SWINE INDUSTRIES. EXPORTS OF RICE WILL BE MINIMAL FOR AT LEAST THE NEXT YEAR.

7. AGRICULTURE MINISTER PAULINELLI HELD A PRESS CONFERENCE MAY 11 AND DISCUSSED THE EXTENDED DROUGHT IN SOUTHERN BRAZIL. HE STATED THAT BRAZIL WOULD LOSE ABOUT 1.5 BILLION DOLLARS THIS YEAR IN AGRICULTURAL IMPORTS TO COVER THE DROUGHT LOSSES WOULD TOTAL ABOUT 300 MILLION DOLLARS.

8. SCATTERED RAINFALL IN RIO GRANDE DO SUL AND PARTS OF PARANA AND SANTA CATARINA MAY 15-16 WILL BENEFIT SOWING OF WHEAT WHICH HAS BEEN DELAYED DUE TO VERY DRY SOIL CONDITIONS. PASTURES WILL ALSO BENEFIT.
JOHNSON

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